First Chicago . . .

Continued from page 1

of caution and restraint," said David McNulty, vice president of the bank's agricultural processing and merchandising division.

Still, several officers have chosen to leave First Chicago's agricultural lending division this year alone, following the departure of at least one other officer last year, a source said.

The bank won't say how many agricultural lending officers remain on staff. And Mr. McNulty said other departments also trimmed their staffs.

The turnover, according to the source, reflects in part the philosophy of the bank's upper management, which itself has been reorganized in the last several years. The bank's top officers are not that knowledgeable about the farm industry, and it is difficult to make a commitment to an industry if management is not very familiar with it, the source said.

A source added that some managers of First Chicago's agricultural division have little expertise in agriculture, which might also call into question the bank's commitment to the industry.

In this year's annual report, First Chicago states that the bank's "highest priority" is corporate customers. The bank is believed to aspire to become a premier bank for medium-sized corporations.

First Chicago is also devoting more attention to consumer banking and offering a host of financial services.

Making a commitment to agricultural lending is even more difficult these days since the industry, and farmers in particular, are mired in some of their toughest economic times in decades. One Midwestern agricultural banker compared farming to a listing ship — "and no one wants to jump on one even if there is a chance that everything won't go under," he said.

A cross-town banking rival here said First Chicago's agricultural officers, unlike those for many other banks, aren't looking to boost their farm lending by seeking qualified farm borrowers. No bank wants the risky, highly leveraged borrower, he said, but there are still farmers who are in good financial shape and whom many bankers would like to have as customers.

The agricultural economy and farm income levels began to plunge in 1980. In that year, according to a listing of the top 100 agricultural banks based on total agricultural loans and compiled by the American Bankers Association, First Chicago ranked 63rd. By the end of 1981, when even more serious problems in the industry were evident, First Chicago's rank dropped 22 spots, to 85th place.

By comparison, Continental Illinois National Bank and Trust Company of Chicago jumped to 11th place in 1981 from 19th a year earlier.

First Chicago's total farm loans at the end of 1981 totaled $24.7 million, according to the ABA's ranking. Of that amount, $1.8 million was secured by farmland and the remainder was categorized by the ABA as "other loans to farmers."

The ABA won't issue the ranking for last year until July.

First Chicago's Mr. McNulty said there is "no design" underlying the bank's decline on the ABA agricultural loan index. He said the agricultural division has a "free hand to attract" new credits, but the sluggish agricultural economy dictates prudence.

Today, First Chicago's agricultural business division has assets of about $600 million, he said. But the division lumps together all lending dealing with production, food processing, and merchandising, as well as loans to the fast-food industry.

A breakdown of loans in each of those subdivisions was not immediately available, said Mr. McNulty. ■

Florida . . .

Continued from page 2

ding is that any artificial cap does not effectively depress interest rates because money flows to the areas of highest return."

The only effect of an artificial rate below the market rate is that it drives up the cost of loans restricted to the lower rate and reduces the amount of money available for consumer loans, Mr. Culpepper said.

A Likey Result

Although bankers hope interest rate ceilings are abolished, many legislators, including House Speaker Lee Moffitt, D-Tampa, say that what is most likely to happen is that the cap will be increased, probably to 25%.

Whatever happens is going to have to pass the House before the Senate will act, because the Senate passed the interest rate deregulation bill last year and it died in the House commerce committee.

"Our emphasis and our initial attention is in the House," Mr. Culpepper said. "But we are moving ahead in the Senate. There are 10 good sponsors and the bill will continue to move."

Another subject of great interest to Florida bankers is the issue of interstate banking, which has made no headway so far because of conflict among the state's banks. Most of them oppose any form of interstate banking, while a few support a regional-reciprocal approach.

The Florida Bankers Association succeeded in getting the banking and commerce subcommittee to postpone action on two interstate banking bills on April 12. One would allow interstate banking on a reciprocal basis with nine southeastern states; the other would permit reciprocal interstate banking nationwide.

A bill in the Senate commerce committee would allow any bank in the nation to enter Florida on a reciprocal basis, but no hearing has been scheduled and is not likely to be addressed unless the House moves first.

Mr. Carr said that some large out-of-state banks want to break into Florida to take advantage of the state's ties to Latin America. They would be more interested in serving their customers abroad than they would be in serving Florida citizens, he said.

"There is a prohibition against interstate banking in federal law," Mr. Carr said. "Any change should emanate from the Congress on a comprehensive nationwide basis, not a piecemeal approach."

Under the federal law banks are prohibited from moving into other states unless invited in by those states' legislative bodies, Mr. Carr said.

Florida allows banks from other states to establish various types of business activities, such as loan production offices, finance companies, leasing operations and trust companies, but does not allow them to collect deposits. ■

REAL ESTATE
New special
advertising feature
in American Banker

Chargeoffs and Loan Loss Reserves

In Millions of Dollars and as a Percentage of Net Loans and Lease Financings

	Net Chargeoffs			Loan loss Reserve
	1st Qtr 1983	4th Qtr 1982	1st Qtr 1982	3-31-83
Citicorp	106.0	133.0	63.0	713.0
	0.12%	0.15%	0.08%	0.82%
BankAmerica Corp.	71.0	173.1	62.1	693.3
	0.09%	0.23%	0.09%	0.93%
Chase Manhattan Corp.	64.0	53.0	44.0	555.0
	0.12%	0.10%	0.09%	1.04%
Manufacturers Hanover Corp.	50.4	44.9	21.0	372.2
	0.11%	0.10%	0.05%	0.82%
J.P. Morgan & Co. Inc.	38.9	18.5	11.3	377.0
	0.12%	0.06%	0.04%	1.17%
Chemical New York Corp.	28.5	22.4	11.4	318.3
	0.09%	0.07%	0.04%	1.06%
Continental Illinois Corp.	99.3	106.9	22.2	378.8
	0.31%	0.32%	0.07%	1.17%
First Interstate Bancorp.	35.1	82.2	24.2	292.3
	0.15%	0.35%	0.11%	1.26%
Bankers Trust New York Corp.	9.1	32.8	8.8	237.7
	0.05%	0.15%	0.05%	1.18%
Security Pacific Corp.	28.6	42.4	15.0	306.9
	0.11%	0.16%	0.07%	1.18%
Total	**530.9**	**709.2**	**283.0**	**4,244.5**
Average	**0.13%**	**0.17%**	**0.07%**	**1.06%**

Loan Quality . . .

Continued from page 1

and up sharply from the ratio of 1.86% a year ago.

At the same time, the bank holding companies reported an average 25.1% decline in actual writeoffs of bad loans from the fourth quarter of 1982 to the first quarter of this year. That is not unusual, since yearend housecleaning typically inflates fourth-quarter loan-loss figures and reduces writeoffs in the following period.

Net chargeoffs at the 10 biggest banking firms averaged 0.13% of net loans and leases in the first quarter. That was up sharply from 0.07% of loans and leases in the first quarter of 1982 but down from 0.17% in the fourth quarter.

The levels of both problem loans and chargeoffs continue to be well below the highs of the mid-1970s. And except in a few cases, the loan-quality problems did not keep the bank from reporting strong first-quarter earnings.

Nonperforming loans include those on which the terms have been renegotiated and those that have been put on a nonaccrual basis because payments of interest or principal are past due.

Analysts say banks enjoy considerable discretion in classifying a particular loan as nonperforming. For example, they say some banks have put much of their Latin American exposure into the nonperforming category, while others have not done so. Thus, it is difficult to compare the level of nonperforming loans reported by different banks.

Nevertheless, a couple of banking firms — Continental Illinois Corp. of Chicago and First Interstate Bancorp of Los Angeles — stand out among the top 10 for the size of their nonperforming portfolios.

Continental Illinois Woes Continue

Continental Illinois continues to experience problems with its energy loans, particularly the $1 billion in loan participations its Continental Illinois National Bank & Trust Co. purchased from Penn Square Bank NA before that Oklahoma institution failed on July 5. At 6.15% of net loans and leases, Contintental's nonperforming ratio is the highest in the top 10.

Penn Square participations accounted for $605 million of the $2 billion in loans deemed nonperforming as of March 31, the Chicago corporation said. Net chargeoffs of $99.3 million included $45.7 million related to Penn Square loans.

Continental executives established a target earlier this year of reducing nonperforming loans by $500 million in 1983. But in response to a question about that, the bank said in a statement, "The deterioration in energy prices and slowness in the economic recovery probably mean that our nonperforming loans will not decline by as much as we anticipated earlier.

"Nevertheless, we believe that our nonperforming loans will decline by a significant amount by yearend."

First Interstate has been fighting a different demon. Like other large West Coast banking firms, it made a lot of construction loans to home builders who found themselves unable to sell their new stock.

Construction loan quality is "most definitely" starting to recover, says Robert Greene, executive vice president at the holding company's lead bank, First Interstate Bank of California. In fact, he says, nonperforming construction loans showed no net increase in the first quarter of this year.

Analysts say the banks' credit problems are more diverse now than in the mid-1970s, when the big problem was the real estate investment trusts. Indeed, there are at least three separate types of loan problems, according to George Salem, an analyst at Prudential-Bache Securities Inc.

Businesses such as real estate development are closely tied to the U.S. economic cycle. Energy is on its own cycle, largely reflecting oil prices set in the Middle East. And then there is the developing countries, a problem affected by a whole different set of factors.

"What I see ahead," says Mr. Salem, "is the cycle-sensitive loans improving, the energy side staying weak and possibly deteriorating further, and the developing-country loans having an increasingly adverse effect on earnings because of new regulatory attitudes."

Congress and the federal regulators have been weighing proposals to require banks to establish reserves against particular overseas credits.

Mr. Salem predicts that net chargeoffs in 1983 will be moderately higher than those in 1982. Nonperforming loans, he says, could be a full percentage point higher by yearend.

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Believe It or Not!

Astounding Facts from the American Banker 5000

The American Banker today publishes its annual directory of the top 5,000 commercial banks in the United States based on their deposit size at yearend 1982. Some of the important and interesting facts culled from the mounds of survey data follow.

Compiled by L. Michael Cacace

ALMOST 90%!

The 5,000 largest banks — approximately one-third of the total number of commercial banks in the nation — held 89.8% of all commercial bank deposits on Dec. 31, 1982. This ratio is up from 89.3% on Dec. 31, 1981. Total deposits of the 5,000 largest came to $1,537 billion at yearend — 7.3% higher than the $1,433 billion a year earlier. Total deposits of all 14,787 commercial banks in the U. S. were $1,711 billion at yearend, a 6.5% rise from $1,605 billion in 1981.

MORE THAN HALF!

The banks with headquarters in New York, California, Texas, and Illinois had combined total deposits of $805.4 billion, or 52.4% of the deposits of the top 5,000 banks in the nation and 47.1% of the deposits of all banks in the United States.

TOP DEPOSIT-TAKING STATE

Among the top 5,000 banks, 129 have headquarters in New York State, and their deposits totaled $367.8 billion on Dec. 31, 1982. This was 23.9% of the total deposits of the top 5,000 banks, making New York the top deposit-taking state in the nation. Next came the 155 banks of California with $215.1 billion in deposits, or 14% of the total deposits of the top 5,000 banks. The 623 banks of Texas with $112.7 billion in deposits, or 7.3% of the total, were third. And the 431 banks of Illinois with $109.8 billion, or 7.1% of the total, came in fourth.

OLD PATTERN RESTORED

Through the early 1970s, deposit growth had been stronger at the smaller banks than at the larger banks. However, from 1978 to 1980, growth at the larger banks was stronger than at the smaller banks — 6.7% per year for the large banks compared with 6% per year for the smaller banks. Apparently, the growth in mutual funds redirected the flow of deposits from the smaller institutions to the larger ones, as mutual funds invested their money in the certificates of deposit of the larger institutions. But last year, as interest rates began to drop significantly, the growth in money market mutual fund assets began to slow. Then, in December, banks began offering the new money market deposit accounts, and funds

➤➤ Believe It: Page 62

Committee Votes to Raise IMF Quota, Oversee Foreign Loans

By ANDREW ALBERT

WASHINGTON — The Senate Committee on Banking, Housing, and Urban Affairs Thursday adopted legislation to increase the government's supervisory role in foreign lending, while boosting the U.S. contribution to the International Monetary Fund.

Eventual passage of the measure is generally expected in the full Senate, despite critics who claim the increased IMF funding is no more than a "bailout" for large banks with outstanding loans to cash-strapped countries.

Sponsors of the measure attempted to appease those critics yesterday, insisting that their legislation would instill new discipline on U.S. lenders.

"We have done our best to ensure that the [recent] overenthusiastic expansion of credit, without careful monitoring, does not take place again," Sen. John Heinz, R-Pa., told banking committee members before they drafted the bill.

Mr. Heinz and Sen. William Proxmire, the panel's ranking Democrat, designed the supervisory provisions of the measure with help from top banking regulators.

Bankers have voiced the most concern about a provision of the bill that would require banks to set up special reserve accounts designed to insure

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Comptroller Expresses Dismay Over Penney End-Run Around Moratorium

By LAURA GROSS

NEW YORK — Despite a moratorium on the purchase of national banks by nonbanking firms, the Comptroller of the Currency is powerless to block J.C. Penney Co. from acquiring the First National Bank of Harrington, Del.

The agency's inability to stop this acquisition results from the fact that Penney — seeking to acquire an existing institution — needed only to file a notice with the Comptroller under the Change in Bank Control Act, title six of the Financial Institutions Regulatory Act of 1978.

And the agency's lawyers say that filings under this act cannot be held up by the moratorium, which only affects de novo charter applications by nonbanking companies.

Penney, the nation's third largest retailer, announced its plan to acquire the $28 million-asset bank late Wednesday. No price was given.

Conover Attacked for Seafirst Deal, page 3

A spokesman for the Comptroller said Thursday that, "at the time we imposed the moratorium there was some question as to whether it would cover changes in bank control but we imposed it anyway because we thought it

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ATM is judged a winner at Iowa State Fair!

Always on the look-out for new ways to introduce people to the conveniences of ATMs, American Federal, Iowa's largest savings and loan association, installed an Express Banking terminal at last summer's Iowa State Fair. Located in the Varied Industries Building, the Docutel Series 2300 ATM was open for business every day of the Fair, and allowed Fairgoers to make deposits and receive cash with bank cards from an participating Iowa financial institution. Over 3,000 transactions were recorded on the "live" ATM during the Fair, with many people taking advantage of the temporary ATM to get a few extra dollars for the rides, shows and cotton candy!

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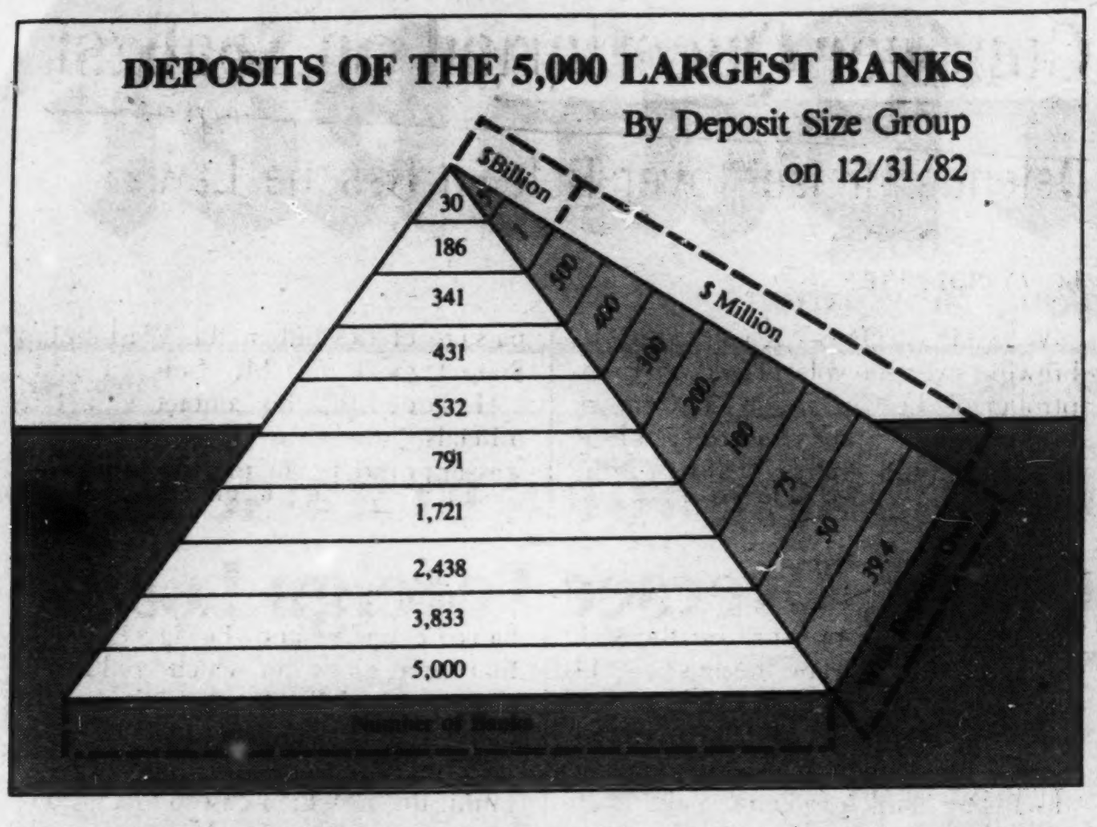

What It's Like Being Number 5,000

By JOHN MORRIS

CHICAGO — "What an odd name" is the first thing anyone says about the Bank of San Felipe Green, which has leapt 1,523 places in just a year to rank as the 5,000th largest bank in the United States.

But to those in Houston, there is nothing strange about the name at all. What else would you call a bank located in the San Felipe Green office park on San Felipe Road?

Identification with its community is important for this fledgling bank, which was set up as a de novo operation in February 1981 with the specific aim of joining the $7.1 billion-asset Southwest Bancshares Inc., the country's 37th largest bank holding company.

Since opening, the Bank of San Felipe Green's deposits have jumped to over $39 million — a rise of $12 million in just a year. "This ranks it 120th out of Houston's 203 banks," said Herbert Hochman, vice president of research at the brokerage firm of Herman Hochman & Co.

A Miracle Square Mile

All of Houston, though, is not the bank's marketplace. Rather, it focuses on the one square mile around its office. But what a square mile! Comprising part of Houston's second largest downtown area, it employs 60,000 workers, has retail sales of $3.5 billion annually, boasts 5,000 hotel rooms, and a grand total of 21.1 million square feet of office space as well as another eight million under contruction.

The area adjoins one of Houston's more affluent neighborhoods, where average income is well in excess of $40,000 and homes cannot be bought for under $250,000. And right down the road are 800 high-rise luxury condominiums.

"Southwest Bancshares did not have a presence in this market," said Robert C. Baldwin, president of Bank of San Felipe Green. "Every other major bank holding company was already there."

Now that one square mile is the battleground for 16 banks, with two more due to enter the fray this summer. The prize: A share of the $1.5 billion of deposits estimated to be on that patch of turf.

"We think this is a good area for a bank," said Mr. Baldwin.

He is out to capture the accounts of the affluent who live and work nearby while at the same time making loans to the Fortune 500 and other service companies in the area. "We're aiming to serve the corporations and their executives," he said.

Direct Deposit of Payrolls

A major marketing thrust is the provision of group banking packages to corporations for their employees, including direct payroll deposit. Now 21 Fortune 500 companies have direct deposit payroll with Bank of San Felipe Green, and 70% of its retail customers have their pay put directly into their accounts at the bank.

Some companies are constantly moving their officers in and out of Houston,, and for these movers, the bank offers bridging loans on real estate, "often into six figures." The Bank of San Felipe Green tries to provide full banking services and has not used "gimmicks" to attract new business, Mr. Baldwin said.

While retail customers are crucial for deposits, the bank's lending portfolio is more commercially oriented. Of its $19.6 million in loans outstanding at the end of 1982, some $12.3 million were commercial, $4.2 million were in real estate, and $3 million were to consumers.

Problem loans are well below the average for banks in the city, said Mr. Baldwin. One reason is the active board made up of local company executives who review every loan over $50,000. Another is the high-caliber lending staff (who all have experience in making loans in $2 billion-plus commercial banks).

However, return on average assets fell to 0.53% in the first quarter of 1983 from 0.91% at the end of 1982 as deregulation boosted the cost of funds and loan demand fell flat. Lending, however, has picked up dramatically in the last three or four weeks, "and the rest of the year should be fairly normal," Mr. Baldwin said.

He is aiming for a return on assets of 1% by the end of the year.

The parent holding company gives its 37 banks a great deal of autonomy, and Bank of San Felipe Green is no exception. Thus "we've put together a bank that reflects our area," said Mr. Baldwin. Belonging to the holding company has not raised the bank's $300,000 individual lending limit, but it does offer other benefits, such as participations, "so we're not limited to smaller credits," he explained.

Over the next five years Mr. Baldwin anticipates continued rapid growth. How much? "At least $100 million; maybe closer to $200 million in deposits," he said. "After all, we are in a growing market." ■

Deposits of Top 5,000 Banks by State

State	Number of Banks	Deposits ($Bil.)	As % of Nation
Alabama	79	12.30	0.80
Alaska	12	2.28	0.15
Arizona	11	13.23	0.86
Arkansas	86	8.04	0.52
California	155	215.07	13.99
Colorado	88	12.17	0.79
Connecticut	31	12.87	0.84
Delaware	13	5.14	0.33
District of Columbia	12	8.44	0.55
Florida	244	45.14	2.94
Georgia	98	17.46	1.14
Guam	1	0.10	0.01
Hawaii	8	6.02	0.39
Idaho	13	4.59	0.30
Illinois	431	109.83	7.15
Indiana	186	25.39	1.65
Iowa	147	12.64	0.82
Kansas	105	8.84	0.58
Kentucky	123	14.58	0.95
Louisiana	152	23.09	1.50
Maine	17	2.80	0.18
Maryland	51	14.90	0.97
Massachusetts	83	31.86	2.07
Michigan	190	44.14	2.87
Minnesota	139	20.20	1.31
Mississippi	70	9.56	0.62
Missouri	198	22.80	1.48
Montana	37	3.01	0.20
Nebraska	55	5.82	0.38
Nevada	6	3.84	0.25
New Hampshire	26	2.46	0.16
New Jersey	119	34.36	2.24
New Mexico	46	5.52	0.36
New York	129	367.79	23.93
North Carolina	36	23.88	1.55
North Dakota	33	3.09	0.20
Ohio	170	44.85	2.92
Oklahoma	151	19.01	1.24
Oregon	21	10.67	0.69
Pennsylvania	211	77.52	5.04
Puerto Rico	9	6.03	0.39
Rhode Island	7	6.38	0.42
South Carolina	21	7.27	0.47
South Dakota	25	4.78	0.31
Tennessee	128	18.54	1.21
Texas	623	112.66	7.33
Utah	15	6.07	0.39
Vermont	14	2.14	0.14
Virginia	80	22.28	1.45
Washington	31	20.56	1.34
West Virginia	82	6.79	0.44
Wisconsin	151	15.73	1.02
Wyoming	31	2.42	0.16
Totals	5,000	1,537	100.00

Money Funds Fight Back With Ad

By ALICE ARVAN

NEW YORK — The money market mutual funds, knocked for a loop by the bank money market deposit accounts, is starting to fight back.

This week the Investment Company Institute, the national mutual fund association, kicked off an issue-oriented campaign in newspapers across the country, with a three-quarter-page advertisement carrying the banner: "A lot of banks have been dangling the high interest carrot. Did you bite?"

The ad assaults banks head-on and sings the praises of the funds. It urges customers to "come back" to the funds where "most investors would find they're better off now."

Plans call for the ad to get play in selected magazines and on television as well.

Money market funds have suffered a dramatic loss in assets since December, when banks and thrifts introduced federally insured money market deposit accounts. From a high of $232.6 billion on Dec. 1, 1982, the funds have fallen, in 19 consecutive weeks of decline, to $175.2 billion as of April 15.

The ICI presents the case for the funds by setting them off from the "bank version," making the point that the banking industry's instrument is a derivative product.

The most salient points in the ICI argument are:

•Banks and savings and loans hooked customers with "come-ons" in the form of high promotional rates, which have since slid down to rates comparable to or less than the average rates being paid by the funds.

•Investing in a money fund gives the participant shareholder status, which means that fund customers "receive all of the income earned by the Fund, less

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NOTE

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